

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 880
OFFERED BY MR. RYAN OF WISCONSIN**

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE.

2 This Act may be cited as the “American Research
3 and Competitiveness Act of 2015”.

**4 SEC. 2. RESEARCH CREDIT SIMPLIFIED AND MADE PERMA-
5 NENT.**

6 (a) IN GENERAL.—Section 41(a) of the Internal Rev-
7 enue Code of 1986 is amended to read as follows:

8 “(a) IN GENERAL.—For purposes of section 38, the
9 research credit determined under this section for the tax-
10 able year shall be an amount equal to the sum of—

11 “(1) 20 percent of so much of the qualified re-
12 search expenses for the taxable year as exceeds 50
13 percent of the average qualified research expenses
14 for the 3 taxable years preceding the taxable year
15 for which the credit is being determined,

16 “(2) 20 percent of so much of the basic re-
17 search payments for the taxable year as exceeds 50
18 percent of the average basic research payments for

1 the 3 taxable years preceding the taxable year for
2 which the credit is being determined, plus

3 “(3) 20 percent of the amounts paid or in-
4 curred by the taxpayer in carrying on any trade or
5 business of the taxpayer during the taxable year (in-
6 cluding as contributions) to an energy research con-
7 sortium for energy research.”.

8 (b) REPEAL OF TERMINATION.—Section 41 of such
9 Code is amended by striking subsection (h).

10 (c) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
11 IMUM TAX IN CASE OF ELIGIBLE SMALL BUSINESS.—
12 Section 38(c)(4)(B) of such Code is amended by redesi-
13 gnating clauses (ii) through (ix) as clauses (iii) through (x),
14 respectively, and by inserting after clause (i) the following
15 new clause:

16 “(ii) the credit determined under sec-
17 tion 41 for the taxable year with respect to
18 an eligible small business (as defined in
19 paragraph (5)(C), after application of rules
20 similar to the rules of paragraph (5)(D)),”.

21 (d) CONFORMING AMENDMENTS.—

22 (1) Section 41(c) of such Code is amended to
23 read as follows:

24 “(c) DETERMINATION OF AVERAGE RESEARCH EX-
25 PENSES FOR PRIOR YEARS.—

1 “(1) SPECIAL RULE IN CASE OF NO QUALIFIED
2 RESEARCH EXPENDITURES IN ANY OF 3 PRECEDING
3 TAXABLE YEARS.—In any case in which the taxpayer
4 has no qualified research expenses in any one of the
5 3 taxable years preceding the taxable year for which
6 the credit is being determined, the amount deter-
7 mined under subsection (a)(1) for such taxable year
8 shall be equal to 10 percent of the qualified research
9 expenses for the taxable year.

10 “(2) CONSISTENT TREATMENT OF EX-
11 PENSES.—

12 “(A) IN GENERAL.—Notwithstanding
13 whether the period for filing a claim for credit
14 or refund has expired for any taxable year
15 taken into account in determining the average
16 qualified research expenses, or average basic re-
17 search payments, taken into account under sub-
18 section (a), the qualified research expenses and
19 basic research payments taken into account in
20 determining such averages shall be determined
21 on a basis consistent with the determination of
22 qualified research expenses and basic research
23 payments, respectively, for the credit year.

24 “(B) PREVENTION OF DISTORTIONS.—The
25 Secretary may prescribe regulations to prevent

1 distortions in calculating a taxpayer’s qualified
2 research expenses or basic research payments
3 caused by a change in accounting methods used
4 by such taxpayer between the current year and
5 a year taken into account in determining the
6 average qualified research expenses or average
7 basic research payments taken into account
8 under subsection (a).”.

9 (2) Section 41(e) of such Code is amended—

10 (A) by striking all that precedes paragraph

11 (6) and inserting the following:

12 “(e) BASIC RESEARCH PAYMENTS.—For purposes of
13 this section—

14 “(1) IN GENERAL.—The term ‘basic research
15 payment’ means, with respect to any taxable year,
16 any amount paid in cash during such taxable year
17 by a corporation to any qualified organization for
18 basic research but only if—

19 “(A) such payment is pursuant to a writ-
20 ten agreement between such corporation and
21 such qualified organization, and

22 “(B) such basic research is to be per-
23 formed by such qualified organization.

24 “(2) EXCEPTION TO REQUIREMENT THAT RE-
25 SEARCH BE PERFORMED BY THE ORGANIZATION.—

1 In the case of a qualified organization described in
2 subparagraph (C) or (D) of paragraph (3), subpara-
3 graph (B) of paragraph (1) shall not apply.”,

4 (B) by redesignating paragraphs (6) and
5 (7) as paragraphs (3) and (4), respectively, and

6 (C) in paragraph (4), as so redesignated,
7 by striking subparagraphs (B) and (C) and by
8 redesignating subparagraphs (D) and (E) as
9 subparagraphs (B) and (C), respectively.

10 (3) Section 41(f)(3) of such Code is amended—

11 (A)(i) by striking “, and the gross re-
12 ceipts” in subparagraph (A)(i) and all that fol-
13 lows through “determined under clause (iii)”,

14 (ii) by striking clause (iii) of subparagraph
15 (A) and redesignating clauses (iv), (v), and (vi),
16 thereof, as clauses (iii), (iv), and (v), respec-
17 tively,

18 (iii) by striking “and (iv)” each place it
19 appears in subparagraph (A)(iv) (as so redesign-
20 ated) and inserting “and (iii)”,

21 (iv) by striking subclause (IV) of subpara-
22 graph (A)(iv) (as so redesignated), by striking
23 “, and” at the end of subparagraph (A)(iv)(III)
24 (as so redesignated) and inserting a period, and

1 by adding “and” at the end of subparagraph
2 (A)(iv)(II) (as so redesignated),
3 (v) by striking “(A)(vi)” in subparagraph
4 (B) and inserting “(A)(v),”
5 (vi) by striking “(A)(iv)(II)” in subpara-
6 graph (B)(i)(II) and inserting “(A)(iii)(II),”
7 (B) by striking “, and the gross receipts of
8 the predecessor,” in subparagraph (A)(iv)(II)
9 (as so redesignated),
10 (C) by striking “, and the gross receipts
11 of,” in subparagraph (B),
12 (D) by striking “, or gross receipts of,” in
13 subparagraph (B)(i)(I), and
14 (E) by striking subparagraph (C) and in-
15 serting the following new subparagraph:
16 “(C) ADJUSTMENTS FOR BASIC RESEARCH
17 PAYMENTS.—In the case of basic research pay-
18 ments, rules similar to the rules of subpara-
19 graph (A) and (B) shall apply.”
20 (4) Section 41(f)(4) of such Code is amended
21 by striking “and gross receipts” and inserting “and
22 basic research payments”.
23 (5) Section 45C(b)(1) of such Code is amended
24 by striking subparagraph (D).

1 (6) Section 45C(c)(2) of such Code is amend-
2 ed—

3 (A) by striking “base period research ex-
4 penses” and inserting “average qualified re-
5 search expenses”, and

6 (B) by striking “BASE PERIOD RESEARCH
7 EXPENSES” in the heading and inserting “AV-
8 ERAGE QUALIFIED RESEARCH EXPENSES”.

9 (7) Section 280C(c) of such Code is amended—

10 (A) by striking “basic research expenses
11 (as defined in section 41(e)(2))” in paragraph
12 (1) and inserting “basic research payments (as
13 defined in section 41(e)(1))”, and

14 (B) by striking “basic research expenses”
15 in paragraph (2)(B) and inserting “basic re-
16 search payments”.

17 (e) EFFECTIVE DATE.—

18 (1) IN GENERAL.—Except as provided in para-
19 graph (2), the amendments made by this section
20 shall apply to taxable years beginning after Decem-
21 ber 31, 2014.

22 (2) SUBSECTION (b).—The amendment made
23 by subsection (b) shall apply to amounts paid or in-
24 curred after December 31, 2014.

